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## Audit & Anti-Fraud Progress Report

1 April 2022 - 31 March 2023

## 1. INTRODUCTION

- 1.1 The purpose of this report is to present the performance of the Audit & Anti-Fraud Service for the period April 2022 to March 2023. It covers the areas of work undertaken, progress with implementing audit recommendations and information on current developments in the service area.
- 1.2 Internal Audit provides an independent continuous review of key and high-risk activities across the Council. It is important that the effectiveness of the work of Internal Audit is monitored and reported in order to comply with the requirements of the Accounts & Audit Regulations 2015 and to provide the necessary assurance on the adequacy of the Internal Audit service. This report contributes toward meeting these requirements.

## 2. INTERNAL AUDIT RESOURCES AVAILABLE

- 2.1 The Internal Audit function is an in-house service supplemented by specialist IT skills from an external provider. Internal Audit also supports the Council's CIPFA trainee programme. Internal Audit relies upon the co-operation of directorates and service level management to enable us to undertake the planned reviews. As a result of the ongoing lack of access to some systems and accurate data there have been various reviews across the Council that have needed to be deferred for another year.
- 2.2 The Internal Audit Team is fully staffed, including one post that is being covered by an agency worker. Permanent staffing arrangements are being introduced following the recent restructure. We are focusing our resources on the areas that management has agreed can take place and will provide the necessary evidence to support the Corporate Head of Audit, Anti-Fraud & Risk Management's annual assurance statement.
- 2.3 The 2022/23 Audit Plan consisted of 59 audits (of which 11 are schools/children's centres), 22 audits have been postponed, cancelled or combined, and four have been added since the plan was agreed.

## 3. INTERNAL AUDIT KEY PERFORMANCE INDICATORS

- 3.1 Internal Audit's performance for 2022/23 against key indicators is shown in Table 1. Post audit survey results are summarised in paragraph 3.3.

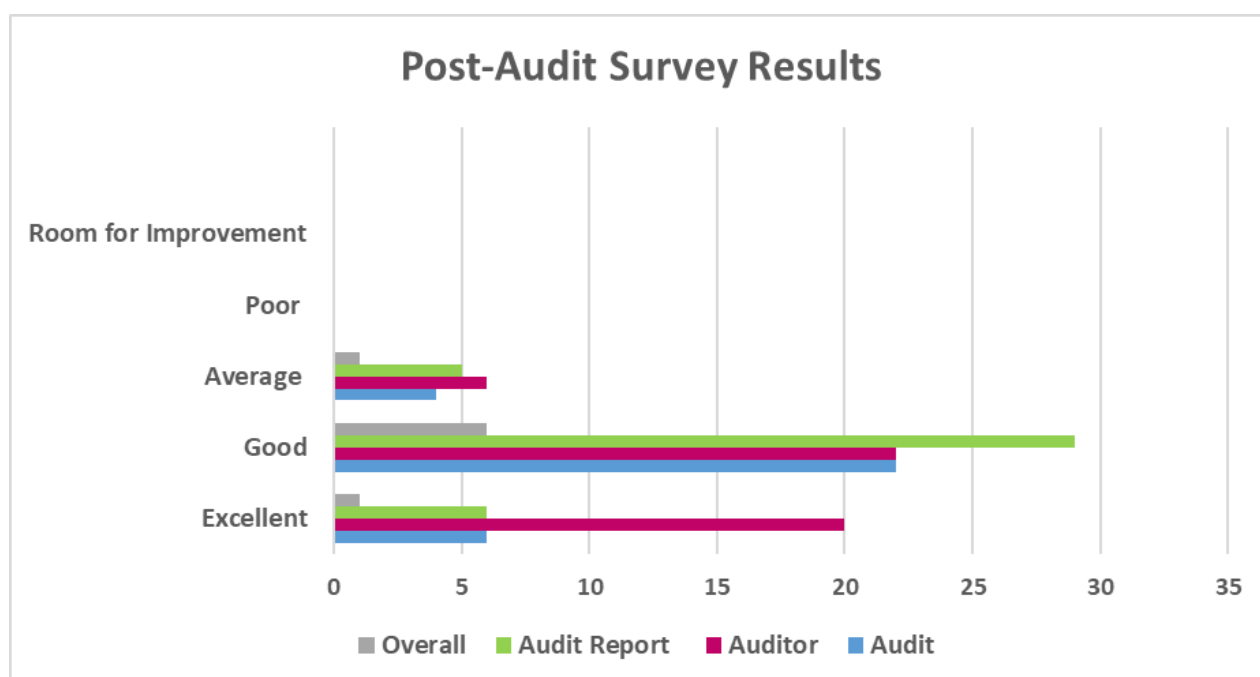
| Objective   | KPIs   | Targets  | Actual  |
|---|--|--|---|
| <b>Cost &amp; Efficiency</b><br><br><i>To ensure the service provides Value for Money</i>             | 1) Percentage of planned audits completed to final/draft report stage<br>2) Average days between the end of fieldwork & issue of the draft report. | 1) 90% by year end<br><br>2) Less than 15 working days | 1) 90% complete or in progress by 31 March 2023<br><br>2) 4 days          |
| <b>Quality</b><br><br><i>To ensure recommendations made by the service are agreed and implemented</i> | 1) Percentage of medium recommendations made which are agreed<br>2) Percentage of agreed high priority recommendations which are implemented       | 1) 100%<br><br>2) 90%                                  | 1) 100%<br><br>2) 87% - fully implemented**<br>9% - partially implemented |
| <b>Client Satisfaction</b><br><br><i>To ensure that clients are satisfied with the</i>                | 1) Results of Post Audit Questionnaires  | 1) Responses meeting or exceeding expectations         | 1) 74% (26% exceeded expectations or excellent)                           |

|   |  |   |                   |
|---|--|---|-------------------|
| <i>service and consider it to be good quality</i> | 2) Results of other Questionnaires<br>3) No. of Complaints / Compliments | 2) Satisfactory<br>3) Actual numbers reported | 2) N/A<br>3) None |
|---|--|---|-------------------|

\*\* See paragraph 6.2 for explanation

Table 1

- 3.2 As at 31 March 2023 a total of 38 internal audit reviews have been started from the 2022/23 Plan, 24 have been completed and a further six are at draft report stage. In addition 14 reviews carried forward from the 2021/22 annual plan were finalised.
- 3.3 Post-Audit Survey results from 1 April 2022 to 31 March 2023 continue to show that overall expectations of auditees are met or exceeded with 26% responding that expectations were exceeded, see bar chart below.



#### 4. SUMMARY OF INTERNAL AUDIT WORK

- 4.1 Progress with 2022/23 planned audits is summarised in Table 2 below and detailed in Appendix 2.

| 2022/23 Audit Plan<br>Stage of Audit Activity | Number of<br>assignments | Percentage<br>of revised plan |
|---|--------------------------|-------------------------------|
| Scoping/TOR agreed                            | 0                        | 0                             |
| Fieldwork in progress                         | 8                        | 19                            |
| Draft report issued                           | 6                        | 14                            |
| Completed                                     | 24                       | 58                            |
| <b>Total work completed and in progress</b>   | <b>38</b>                | <b>91%</b>                    |
| Original Plan                                 | 59                       |                               |
| Additional requests                           | 4                        |                               |
| Cancelled or Postponed                        | 22                       |                               |
| <b>Total Revised Plan</b>                     | <b>41</b>                |                               |

Table 2

- 4.2 The table shows 91% of the planned assignments have been completed or are in progress.

4.3 Details of changes to the original audit plan are shown in Table 3 below.

| <b>Cancelled or postponed reviews</b>                                  | <b>Reason for Deferral</b>   |
|--|--|
| Climate Change/Zero Tolerance  | Management request   |
| Equal Pay  | Management request   |
| Organisational Culture   | Management request   |
| Council Meetings - Governance  | Audit resource capacity  |
| Integrated Learning Disabilities Service, ILDS                         | Management request   |
| Procurement of Homecare  | Management request - Delay in procurement process                          |
| Joint Agency Funding - Complex Children                                | Management request due to capacity   |
| Cost of Children in Alternative provision                              | IA deferred to April 2023  |
| Matrix ICT Contract  | Management request - Restructure in service area                           |
| Streetscene  | Other AAF work ongoing in service area                                     |
| Public Health CYP Commissioning  | Management Request due to resource capacity                                |
| Schools overview report 2019/20  | Management Request/Team Restructure  |
| Freedom of Information   | Management Request/Team Restructure  |
| Use of Infrastructure Levy/Section 106                                 | IA deferred to April 2023  |
| Rent Arrears - Incl. Effect of UC on Tenant Arrears                    | Management Request   |
| Commercial Property Income   | Management Request   |
| Regeneration Processes & Procedures                                    | Cancelled - Scope covered in two other audits.                             |
| 3 year ANA   | Management Request   |
| ICT Governance   | Management Request   |
| Cloud Platform   | Management Request   |
| Follow up of Recommendations   | Management Request   |
| Assurance on New System, Repairs, Asset Management, & Community Safety | Management Request   |
| <b>Additional reviews</b>  | <b>Reason for Addition</b>   |
| Accounts Payable   | Management request - efficient to review at the same time as another audit |
| Betty Layward school   | Management Request   |
| Clapton Girls Academy  | Management Request   |
| Public Health CYP Commissioning  | Management Request   |

Table 3

4.4 Each completed audit is given an overall assurance grading. These are categorised as 'Significant', 'Reasonable', 'Limited' or 'No' assurance. The assurances given this year are included in Appendix 3. For those audits finalised this year, including 14 carried forward from the 2021/22 plan, the assurance levels are set out in Table 4.

| <b>Assurance Level</b> | <b>2022/23</b> | <b>2021/22</b> |
|------------------------|----------------|----------------|
| No                     | 0              | 1              |
| Limited                | 0              | 0              |
| Reasonable             | 7              | 8              |
| Significant            | 17             | 5              |
| Not Applicable         | 0              | 0              |
| <b>Total</b>           | <b>24</b>      | <b>14</b>      |

Table 4

- 4.5 Where Internal Audit work identifies areas for improvement, recommendations are made to manage the level of risk. These are categorised as 'High', 'Medium' or 'Low' priority. The numbers of High and Medium recommendations issued up to 31 March 2023 are shown in Table 5.

| <b>Categorisation of Risk</b> | <b>Definition</b>  | <b>Number 2022/23 Plan</b> | <b>Number 2021/22 Plan not previously reported</b> |
|-------------------------------|--|----------------------------|--|
| High                          | Major issues that we consider need to be brought to the attention of senior management.    | 0                          | 8  |
| Medium                        | Important issues which should be addressed by management in their areas of responsibility. | 86                         | 48   |
| <b>Total</b>                  |  | <b>86</b>                  | <b>56</b>  |

Table 5

## 5. SCHOOLS

- 5.1 The results of schools' audits are reported to Hackney Education (HE) within the Children's and Education Directorate. In addition, progress with the implementation of agreed recommendations from 2017/18 to the current date are regularly followed up and reported.
- 5.2 Following the successful pilot of Internal Control Questionnaires (ICQs) in 2019/20 this approach is now part of our standard operating practice. This approach allows for the necessary assurances to be given whilst reducing the resources necessary to complete the audits, both for the school and the audit service. The audits focus on the existence and compliance with key financial controls and the adequacy of governance arrangements.
- 5.3 As at 31 March 2023, four school audits ongoing from the 2021/22 audit plan have been finalised.

## 6. IMPLEMENTATION OF RECOMMENDATIONS

- 6.1 In order to track the Council's response to improving the control environment, progress with implementation of agreed internal audit recommendations is tracked. The results of this work for the 'High' priority recommendations from audits undertaken from 2017/18 that were due to be implemented by 31 March 2023 are presented in Table 6.

| Directorate                   | Implemented/<br>No longer<br>relevant | Partially<br>Implemented | Not<br>implemented<br>/No<br>response | Not<br>Yet<br>Due | Total*      |
|-------------------------------|---------------------------------------|--------------------------|---------------------------------------|-------------------|-------------|
| AHI                           | 7                                     | 2                        | 1                                     | 0                 | 10          |
| Children & Education          | 4                                     | 0                        | 0                                     | 0                 | 4           |
| Climate, Homes & Economy      | 57                                    | 5                        | 3                                     | 0                 | 65          |
| Finance & Corporate Resources | 18                                    | 1                        | 0                                     | 0                 | 19          |
| Chief Executive's             | 1                                     | 0                        | 0                                     | 0                 | 1           |
| Corporate                     | 2                                     | 1                        | 0                                     | 0                 | 3           |
| <b>Total number</b>           | <b>89</b>                             | <b>9</b>                 | <b>4</b>                              | <b>0</b>          | <b>102</b>  |
| <b>Percentage (%)*</b>        | <b>87%</b>                            | <b>9%</b>                | <b>4%</b>                             | <b>n/a</b>        | <b>100%</b> |

\* Does not include "Not Yet Due"

Table 6

- 6.2 The Council's target for 2022/23 is 90% of 'High' priority recommendations should be implemented in accordance with agreed timescale. Audit followed up 102 'High' priority recommendations, the implementation rate currently stands at 87% fully implemented, with a further 9% partially implemented.
- 6.3 Of the 412 'Medium' priority recommendations followed up 87% were assessed as implemented and 4% partially implemented. Details are shown in Table 7.

| Directorate                   | Implemented<br>/No longer<br>relevant | Partially<br>Implemente<br>d | Not<br>implemented<br>/No Response | Not<br>yet<br>due | Total*      |
|-------------------------------|---------------------------------------|------------------------------|------------------------------------|-------------------|-------------|
| Adults, Health & Integration  | 41                                    | 1                            | 1                                  | 0                 | 43          |
| Children & Education          | 28                                    | 2                            | 1                                  | 0                 | 31          |
| Climate, Homes & Economy      | 126                                   | 4                            | 19                                 | 3                 | 149         |
| Finance & Corporate Resources | 124                                   | 6                            | 10                                 | 6                 | 140         |
| Chief Executive's             | 21                                    | 0                            | 0                                  | 0                 | 21          |
| Corporate                     | 17                                    | 6                            | 5                                  | 0                 | 28          |
| <b>Total number</b>           | <b>357</b>                            | <b>19</b>                    | <b>36</b>                          | <b>9</b>          | <b>412</b>  |
| <b>Percentage (%)</b>         | <b>87%</b>                            | <b>4%</b>                    | <b>9%</b>                          | <b>n/a</b>        | <b>100%</b> |

\* Does not include "Not Yet Due"

Table 7

- 6.4 Recommendations made during school audits are followed up in the same way as for other recommendations. In circumstances where audits are categorised as 'No' or 'Limited' assurance, or where the school fails to provide progress updates with implementation of 'High' category recommendations, a follow up review is scheduled.

| Recommendation Priority | Implemented/ No longer relevant | Partially Implemented | Not implemented/ No Response | Not yet due | Total* |
|-------------------------|---------------------------------|-----------------------|------------------------------|-------------|--------|
| High                    | 38                              | 1                     | 1                            | 0           | 40     |
| Medium                  | 198                             | 5                     | 29                           | 6           | 232    |
| <b>Total Number</b>     | 236                             | 6                     | 30                           | 0           | 272    |
| <b>Percentage (%)</b>   | 87%                             | 2%                    | 11%                          | n/a         | 100%   |

\* Does not include "Not Yet Due"

Table 8

## 7. DEVELOPMENTS WITHIN INTERNAL AUDIT

7.1 The Audit & Anti Fraud Service has substantially recovered from the cyber attack and the Covid-19 pandemic. Internal Audit relies upon the co-operation of directorates and service level management to enable us to undertake the planned reviews. As a result of the ongoing lack of access to some systems and accurate data, in addition to a lack of resources in some service areas due to organisational restructures, there have been various reviews across the Council that have needed to be deferred.

The Audit & Anti Fraud Service was recently restructured which has resulted in development opportunities for staff. Following this process one post remains vacant but is being covered by agency staff after an unsuccessful external recruitment campaign. Our resources are focussing on the areas necessary to provide evidence to support the Head of Internal Audit's annual assurance statement.

7.2 The delivery of the planned ICT audits continues to be significantly hindered by the response to the cyber attack in October 2020. We are continuously in discussions with senior management to facilitate these reviews and several audits have now started to progress since the last Committee update was provided, albeit that these remain at an early stage.

7.3 Internal Audit activity must be carried out in accordance with the Public Sector Internal Audit Standards (PSIAS). These include a requirement to undertake a regular internal assessment of the service, and a periodic external assessment (at least every 5 years). An external assessment has not taken place since 2016 due to the pandemic and then the cyber attack, it is now scheduled for summer 2023. It should be noted that the delay to external assessments caused by the pandemic has resulted in many audit services achieving only partial compliance with PSIAS.

The internal assessment was most recently completed in March 2023, it has identified the following main areas for improvement, all of which are in progress:

- The need to complete the external assessment;
- Updates to a small number of team documents to reflect changes arising from the recent restructure, and to replace information that was lost due to the cyber attack;
- To review the competencies for different staff grades to determine if current methods of identifying training can be enhanced, and ensure that CPD requirements are delivered;
- Ensuring that the outcome of current activity to review organisational fraud risks is available to inform future audit planning.

The review did identify that the Internal Audit service complies with all of the key assessment criteria (a properly defined Internal Audit mission, core principles, code of ethics, and attribute standards), but because the external assessment is outstanding the service does not fully conform at this time.

## **8. ANTI FRAUD SERVICE**

- 8.1 The restructure of the AAF service also resulted in changes within the Anti-Fraud Service. The Audit Investigation Manager is now responsible for all investigations, including Tenancy Fraud enquiries. They are supported by two Team Leaders with particular responsibilities for Housing and Proactive investigations. The new structure was implemented on 7 November 2022.
- 8.2 Investigation activity has been fully resumed following the disruption caused by the pandemic, which severely curtailed some areas of work. Some impacts continue to be felt following the cyber attack and, more significantly, from backlogs that have built up in the criminal justice system since early 2020.
- 8.3 Statistical information relating to the work of the Anti-Fraud Teams is shown at Appendix 4.

## **9. CONCLUSIONS**

- 9.1 This report provides details of the performance of the Council's Internal Audit and Anti Fraud Services. It provides assurance that the service is being delivered to meet statutory responsibilities and is continually seeking to improve the standard of its service.
- 9.2 A greater level of audit resource than usual continues to be focussed on reviews that have been deferred from previous years due to the cyber attack and the pandemic, and those that will provide evidence to support the Corporate Head of Audit, Anti-Fraud & Risk Management's annual assurance statement.



| Internal Audit Annual Plan<br>Progress to 31 March 2023 (including 2021/22 audits completed in the current year) |   |               |                 |                 |        |
|--|---|---------------|-----------------|-----------------|--------|
| Code   | Description                               | High Priority | Medium Priority | Audit Assurance | Status |
| <b>2021/22 Audits</b>  |   |               |                 |                 |        |
| <b>Corporate / Cross Cutting</b>   |   |               |                 |                 |        |
| 2122LBH01  | AGS co-ordination 2021/22                 | N/A           | N/A             | Reasonable      | Final  |
| 2122LBH02  | Co Management/ Governance                 | 0             | 3               | Significant     | Final  |
| <b>Chief Executive's</b>   |   |               |                 |                 |        |
| 2122CEX01  | Electoral Services                        | 0             | 4               | Reasonable      | Final  |
| 2122CEX02  | Grants                                    | 0             | 1               | Significant     | Final  |
| <b>FINANCE &amp; CORPORATE RESOURCES</b>   |   |               |                 |                 |        |
| <b>Customer Services</b>   |   |               |                 |                 |        |
| 2122FCR06  | Searchlight System Review - Data security | 0             | 2               | Significant     | Final  |
| 2122FCR07  | Procurement of Homelessness Provision     | 0             | 2               | Significant     | Final  |
| <b>ICT</b>   |   |               |                 |                 |        |
| 2021ICT03  | Mobile Device Management                  | 0             | 4               | Reasonable      | Final  |
| <b>Neighbourhoods &amp; Housing</b>  |   |               |                 |                 |        |
| <b>Housing</b>   |   |               |                 |                 |        |
| 2122NH01   | Clapton Park TMO                          | 4             | 11              | No              | Final  |
| 2122NH02   | Wyke TMO                                  | 1             | 2               | Reasonable      | Final  |
| <b>Schools</b>   |   |               |                 |                 |        |
| <b>Primary Schools</b>   |   |               |                 |                 |        |
| 2122SCH01  | Colvestone                                | 1             | 2               | Reasonable      | Draft  |
| 2122SCH03  | Parkwood                                  | 1             | 4               | Reasonable      | Final  |
| 2122SCH05  | St Dominic's                              | 0             | 6               | Reasonable      | Final  |
| <b>Secondary Schools</b>   |   |               |                 |                 |        |
| 2122SCH12  | New Regent's College                      | 0             | 0               | Significant     | Final  |
| 2122SCH14  | Yesodey Hatorah Senior Girls School       | 1             | 7               | Reasonable      | Final  |

| Code                                    | Description  | High Priority Recs | Medium Priority Recs | Audit Assurance | Status              |
|---|--|--------------------|----------------------|-----------------|---------------------|
| <b>2022/23 Audits</b>                   |  |                    |                      |                 |                     |
| <b>Corporate / Cross Cutting</b>        |  |                    |                      |                 |                     |
| 2223LBH01                               | AGS co-ordination 2022/23                          |                    |                      |                 | WiP                 |
| 2223LBH02                               | Climate Change/Zero Tolerance                      |                    |                      |                 | Deferred to 2023/24 |
| 2223LBH03                               | Equal Pay  |                    |                      |                 | Deferred to 2023/24 |
| 2223LBH04                               | Organisational Culture                             |                    |                      |                 | Deferred to 2023/24 |
| <b>Adults, Health &amp; Integration</b> |  |                    |                      |                 |                     |
| <b>Adult Services/Public Health</b>     |  |                    |                      |                 |                     |
| 2223AHI01                               | Mortuary   | 0                  | 0                    | Significant     | Final               |
| 2223AHI02                               | Integrated Learning Disabilities Service (ILDS)    |                    |                      |                 | Deferred to 2023/24 |
| 2223AHI03                               | Commissioned Services - Sexual Health Services     | 0                  | 2                    | Significant     | Final               |
| 2223AHI04                               | Safeguarding Adults                                |                    |                      |                 | WiP                 |
| 2223AHI05                               | Procurement of Homecare                            |                    |                      |                 | Deferred to 2023/24 |
| <b>Children &amp; Education</b>         |  |                    |                      |                 |                     |
| <b>Children &amp; Families</b>          |  |                    |                      |                 |                     |
| 2223CE01                                | LAC Incidentals                                    |                    |                      |                 | WiP                 |
| 2223CE02                                | Local Safeguarding Children's Partnership          | 0                  | 1                    | Significant     | Final               |
| 2223CE03                                | NRPF   |                    |                      |                 | Draft               |
| 2223CE04                                | Development of Children & Family Hubs (Advisory)   |                    |                      |                 | WiP                 |
| 2223CE05                                | Joint Agency Funding - Children with Complex Needs |                    |                      |                 | Deferred to 2023/24 |

|  |   |   |   |             |                        |
|--|---|---|---|-------------|------------------------|
| 2223CE06                                 | Schools overview report 2019/20           |   |   |             | Deferred to 2023/24    |
| 2223CE07                                 | Cost of Children in Alternative Provision |   |   |             | Deferred to April 2023 |
| 2223CE08                                 | Public Health CYP Commissioning           |   |   |             | Deferred to 2023/24    |
| <b>Schools</b>                           |   |   |   |             |                        |
| <b>Children's Centres</b>                |   |   |   |             |                        |
| <b>Primary Schools</b>                   |   |   |   |             |                        |
| 2223SCH01                                | Harrington Hill Primary                   | 0 | 2 | Significant | Final                  |
| 2223SCH02                                | Holmleigh Primary                         | 0 | 5 | Reasonable  | Draft                  |
| 2223SCH03                                | London Fields Primary                     | 0 | 3 | Significant | Final                  |
| 2223SCH04                                | Millfields Primary                        | 0 | 3 | Significant | Final                  |
| 2223SCH05                                | Nightingale Primary                       | 0 | 3 | Significant | Final                  |
| 2223SCH10                                | Betty Layward                             | 0 | 6 | Reasonable  | Final                  |
| 2223SCH11                                | Oldhill Primary                           | 0 | 6 | Reasonable  | Final                  |
| <b>Secondary Schools</b>                 |   |   |   |             |                        |
| 2223SCH06                                | Stoke Newington Secondary                 | 0 | 1 | Significant | Final                  |
| 2223SCH07                                | Haggerston Secondary                      | 0 | 6 | Reasonable  | Draft                  |
| 2223SCH08                                | Stormont House                            | 0 | 1 | Significant | Final                  |
| 2223SCH09                                | Clapton Girls Academy                     | 0 | 3 | Significant | Final                  |
| <b>FINANCE &amp; CORPORATE RESOURCES</b> |   |   |   |             |                        |
| <b>Financial Management</b>              |   |   |   |             |                        |
| 2223FCR01                                | Banking Team - Refunds of Income          | 0 | 3 | Significant | Final                  |
| 2223FCR02                                | Treasury Management                       | 0 | 3 | Significant | Final                  |
| 2223FCR03                                | Main Accounting System                    | 0 | 8 | Reasonable  | Final                  |
| 2223FCR04                                | Accounts Receivable                       | 0 | 5 | Reasonable  | Final                  |
| 2223FCR05                                | Pensions                                  |   |   |             | WiP                    |
| 2223FCR12                                | Accounts Payable                          | 0 | 3 | Significant | Final                  |
| <b>Human Resources</b>                   |   |   |   |             |                        |

**Appendix 2**

|                                     |   |     |     |             |                                    |
|-------------------------------------|---|-----|-----|-------------|------------------------------------|
| 2223FCR06                           | Matrix ICT Contract (Digital market place)            | n/a | n/a | n/a         | Deferred to 2023/24 - mgmt request |
| <b>Procurement</b>                  |   |     |     |             |                                    |
| 2223FCR07                           | Supplier Set-up on Cedar                              | 0   | 3   | Significant | Final                              |
| 2223FCR08                           | IR35 Follow up  | 0   | 0   | Significant | Final                              |
| <b>Revenues &amp; Benefits</b>      |   |     |     |             |                                    |
| 2223FCR09                           | Council Tax   | 0   | 4   | Reasonable  | Final                              |
| 2223FCR10                           | NNDR/Business Rates                                   |     |     |             | WiP                                |
| <b>Strategic Property</b>           |   |     |     |             |                                    |
| 2223FCR11                           | Commercial Property Income                            |     |     |             | Deferred to 2023/24                |
| <b>ICT</b>                          |   |     |     |             |                                    |
| 2223ICT01                           | 3 year ANA  |     |     |             | Deferred to 2023/24                |
| 2223ICT02                           | ICT Governance  |     |     |             | Deferred to 2023/24                |
| 2223ICT03                           | ICT Security  |     |     |             | WiP                                |
| 2223ICT04                           | Home Working Support                                  |     |     |             | Draft                              |
| 2223ICT05                           | Cloud Platform  |     |     |             | Deferred to 2023/24                |
| 2223ICT06                           | FOI   |     |     |             | Deferred to 2023/24                |
| 2223ICT07                           | Follow-up of Recommendations                          |     |     |             | Deferred to 2023/24                |
| <b>Climate, Homes &amp; Economy</b> |   |     |     |             |                                    |
| <b>Housing</b>                      |   |     |     |             |                                    |
| 2223CHE01                           | Cranston TMO  |     |     |             | WiP                                |
| 2223CHE02                           | Clapton Park TMO - Follow Up                          |     |     |             | Draft                              |
| 2223CHE03                           | Streetscene   |     |     |             | Deferred to 2023/24                |
| 2223CHE04                           | Fire Safety Risks                                     | 0   | 4   | Reasonable  | Final                              |
| 2223CHE05                           | Rent Arrears - Incl. Effect of UC on Tenant Arrears   |     |     |             | Deferred to 2023/24                |
| 2223CHE06                           | Repairs Blacklog                                      |     |     |             | Draft                              |
| 2223CHE07                           | Assurance on New Systems, Repairs, Asset Management & |     |     |             | Deferred to 2023/24                |

**Appendix 2**

|              |  |   |   |                    |                                  |
|--------------|--|---|---|--------------------|----------------------------------|
|              | Community Safety                       |   |   |                    |                                  |
|              |  |   |   |                    |                                  |
| 2223CHE08    | Use of Infrastructure Levy/Section 106 |   |   |                    | Deferred                         |
| 2223CHE09    | LTN Process                            | 0 | 2 | <b>Significant</b> | Final                            |
| Regeneration |  |   |   |                    |                                  |
| 2223CHE10    | Housing Supply Programme               | 0 | 8 | <b>Reasonable</b>  | Final                            |
| 2223CHE11    | Area Regeneration                      | 0 | 1 | <b>Significant</b> | Final                            |
| 2223CHE12    | Processes & Procedures                 |   |   |                    | Cancelled - Covered by 2223CHE11 |

The **Overall Assurance** given in respect of an audit is categorised as follows:

| Level of assurance | Description   | Link to risk ratings  |
|--------------------|---|---|
| <b>Significant</b> | Our work found some low impact control weaknesses which, if addressed, would improve overall control. However, these weaknesses do not affect key controls and are unlikely to impair the achievement of the objectives of the system. Therefore we can conclude that the key controls have been adequately designed and are operating effectively to deliver the objectives of the system, function or process.  | There are two or less medium-rated issues or only low rated or no findings to report.   |
| <b>Reasonable</b>  | There are some weaknesses in the design and/or operation of controls which could impair the achievement of the objectives of the system, function or process. However, either their impact would be less than critical or they would be unlikely to occur.  | No more than one high priority finding &/or a low number of medium rated findings. Where there are many medium rated findings, consideration will be given as to whether the effect is to reduce the assurance to Limited.                |
| <b>Limited</b>     | There are some weaknesses in the design and / or operation of controls which could have a significant impact on the achievement of key system, function or process objectives but should not have a significant impact on the achievement of organisational objectives. However, there are discrete elements of the key system, function or process where we have not identified any significant weaknesses in the design and / or operation of controls which could impair the achievement of the objectives of the system, function or process. We are therefore able to give limited assurance over certain discrete aspects of the system, function or process. | There are up to three high-rated findings. However, if there are three high priority findings and many medium rated findings, consideration will be given as to whether in aggregate the effect is to reduce the opinion to No assurance. |
| <b>No</b>          | There are weaknesses in the design and/or operation of controls which [in aggregate] have a significant impact on the achievement of key system, function or process objectives and may put at risk the achievement of organisation objectives.   | There are a significant number of high rated findings (i.e. four or more).  |

## Anti-Fraud Service:

### Statistical Information 1 April 2022 to 31 March 2023

#### 1. Investigations Referred

The Anti-Fraud service has received 527 referrals during 2022/23, which represents a 15% increase on the rate of referrals in 2021/22.

| Group                                | Department                         | Number of Cases Referred in Period | Number of Cases Closed in Period | Cases Currently Under Investigation | Referrals 2022/23 | Referrals 2021/22 |
|--------------------------------------|------------------------------------|------------------------------------|----------------------------------|-------------------------------------|-------------------|-------------------|
| Climate, Homes & Economy (CHE)       | Climate, Homes & Economy           | 2                                  | 1                                | 11                                  | 23                | 12                |
|                                      | Tenancy Fraud                      | 65                                 | 73                               | 380                                 | 278               | 232               |
|                                      | Parking                            | 43                                 | 46                               | 56                                  | 142               | 157               |
| Children's & Education               | Children's                         | 0                                  | 2                                | 0                                   | 5                 | 0                 |
|                                      | No Recourse to Public Funds (NRPF) | 42                                 | 45                               | 31                                  | 64                | 44                |
|                                      | Hackney Education                  | 2                                  | 0                                | 4                                   | 2                 | 0                 |
| Adults, Health & Integration         | Adults, Health & Integration       | 0                                  | 0                                | 2                                   | 4                 | 3                 |
| Finance & Corporate Resources (F&CR) | Finance & Resources                | 1                                  | 1                                | 5                                   | 5                 | 6                 |
|                                      | Covid19 Business Grants            | 0                                  | 2                                | 0                                   | 2                 | 0                 |
| Chief Executive's Directorate        | Chief Executive's Directorate      | 1                                  | 1                                | 0                                   | 2                 | 1                 |
| <b>Total</b>                         |                                    | 156                                | 171                              | 489                                 | 527               | 455               |

Table 1

**Note 1:** Fraud reporting is provided at Group Directorate level, with additional detail being provided for areas that have been the subject of a dedicated counter-fraud response (Tenancy, Parking, Covid grants and NRPF).

**Note 2:** Cases closed/under investigation may include those carried forward from previous reporting periods.

#### 2. Fraud Enquiries

Investigative support is provided to other bodies undertaking criminal enquiries, including the Police, Home Office and other Local Authorities. The team also supports other LBH teams to obtain information where they do not have direct access and it is available under the Data Protection Act crime prevention and detection gateways. AAF no longer provides a dedicated service to DWP to support their investigations, but an alternative mechanism has been made available to DWP which does not have a resource cost for Hackney.

| Source                                      | Number of Cases Referred in period | Number of Cases Closed in period | Cases Currently Under Investigation | 2022/23 | 2021/22 |
|---|------------------------------------|----------------------------------|-------------------------------------|---------|---------|
| Internal                                    | 6                                  | 5                                | 1                                   | 19      | 92      |
| Other Local Authority / Housing Association | 37                                 | 35                               | 2                                   | 65      | 95      |
| HMRC  | 4                                  | 3                                | 1                                   | 6       | 3       |
| Police                                      | 11                                 | 9                                | 2                                   | 21      | 17      |
| Immigration                                 | 0                                  | 0                                | 0                                   | 2       | 1       |
| DWP   | 1                                  | 1                                | 0                                   | 4       | 230     |
| Other                                       | 2                                  | 1                                | 1                                   | 5       | 54      |
| <b>Total</b>                                | 61                                 | 54                               | 7                                   | 122     | 492     |

Table 2

### 3. National Fraud Initiative (NFI) Matches

The NFI is a biennial data matching exercise; the majority of datasets were most recently received in January 2023 (with the Council Tax matches being received a little later). Matches are investigated by various LBH teams over the 2 year cycle, AAF investigates some matches and coordinates the Council's overall response. The total number of matches includes a number of recommended cases that are identified as high priority, participants are expected to further risk assess the results to determine which are followed up.

| Type of Match                  | Number of Matches | Cases Under Investigation | Number Matches Cleared NFI2022/23 | Number Matches Cleared NFI2020/21 |
|--------------------------------|-------------------|---------------------------|-----------------------------------|-----------------------------------|
| Payroll                        | 67                | 16                        | 15                                | 22                                |
| Housing Benefit                | 1000              | 0                         | 644                               | 32                                |
| Housing Tenants                | 1142              | 51                        | 504                               | 79                                |
| Right to Buy                   | 506               | 0                         | 65                                | 0                                 |
| Housing Waiting List           | n/a               | n/a                       | n/a                               | n/a                               |
| Concessionary travel / parking | 801               | 3                         | 507                               | 292                               |
| Creditors                      | 7180              | 0                         | 1                                 | 8                                 |
| Pensions                       | 266               | 14                        | 18                                | 220                               |
| Council Tax                    | 6782              | 0                         | 0                                 | n/a                               |
| Council Tax Reduction Scheme   | n/a               | n/a                       | n/a                               | n/a                               |
| Covid19 business grants        | n/a               | n/a                       | n/a                               | 105                               |
| Other                          | 26                | 0                         | 15                                | n/a                               |
| <b>Total</b>                   | 17770             | 84                        | 1769                              | 758                               |

Table 3

Hackney has been able to participate more fully in the 2022/23 NFI matching than was possible in 2020/21 following recovery from the cyber attack in October 2020, although a lower level of disruption has persisted (hence the absence of some match categories from the table above).



Responsibility for investigating Housing Benefit matches passed to the DWP in 2014, Hackney has enabled DWP officers to directly access our Housing Benefit records, this has reduced the financial and resource burden on the Council.

#### 4. Analysis of Outcomes

Investigations can result in differing outcomes from prosecution to no further action. Table 4 below details the most common outcomes that result from investigations conducted by the Anti-Fraud Teams.

| Outcome   | Reporting Period | 2022/23 | 2021/22 |
|---|------------------|---------|---------|
| Disciplinary action                             | 0                | 1       | 2       |
| Resigned as a result of the investigation       | 0                | 2       | 2       |
| Referred to Police or other external body       | 0                | 3       | 7       |
| Prosecution                                     | 0                | 3       | 0       |
| Referred to Legal Services                      | 2                | 8       | 0       |
| Investigation Report/ Management Letter issued  | 1                | 7       | 9       |
| Council service or discount cancelled           | 18               | 75      | 37      |
| Covid business grants cancelled                 | 1                | 3       | 4       |
| Blue Badges recovered                           | 10               | 66      | 97      |
| Other fraudulent parking permit recovered       | 11               | 18      | 4       |
| Parking misuse warnings issued                  | 13               | 61      | 23      |
| Penalty Charge Notice (PCN) issued              | 21               | 91      | 108     |
| Vehicle removed for parking fraud               | 17               | 56      | 82      |
| Recovery of tenancy                             | 11               | 49      | 34      |
| Housing application cancelled or downgraded     | 0                | 2       | 5       |
| Right to Buy application withdrawn or cancelled | 2                | 11      | 3       |

Table 4

#### 5. Financial Losses as a Result of Fraud

The most apparent consequence of many frauds is a financial loss, however, it needs to be noted that it is not always possible to put a value in monetary terms. In many cases the direct financial loss accounts for only a small amount of the total cost of the fraud, with the additional amount comprising intangibles such as reputational damage, the cost of the investigation and prosecution, additional workplace controls, replacing staff involved and management time taken to deal with the event and its' aftermath.

The following are estimates of the monetary cost for some of Hackney's priority investigation areas based (where relevant) upon external benchmarking data to provide a realistic estimation of the cost of the irregularity:

##### 5.1 Tenancy Fraud Team (TFT)

During the period October to December 2022 a total of 11 tenancies have been recovered by the TFT. Using the recognised measure for the estimated cost of each misused tenancy of £42,000 pa, this equates to a value of £462,000.

During this period two Right to Buy (RTB) applications were cancelled following investigation. Each RTB represents a discount of £116,200 on the sale of a Council asset, so the value of this work is a saving of £232,400 to the public purse.

### 5.2 No Recourse to Public Funds Team (NRPF)

An average weekly support package valued at c£387 is paid to each family supported (applicable to the 'service cancelled' category in Table 4). In the period January to March 2023, 18 support packages were cancelled or refused following AAF investigations. This equates to a saving in the region of £6,966 per week, if these had been paid for the full financial year it would have cost Hackney approximately £363,227

It is expected that more packages will be cancelled as a result of investigations carried out during this reporting period, once cases have been thoroughly evaluated.

### 5.3 Parking Concessions

The Audit Commission estimated the cost of each fraudulently used Blue Badge to be £100 (equivalent to on-street parking costs in the Hackney Central parking zone for less than 39 hours). Fees of £65 are also payable where a Penalty Charge Notice is issued as part of the enforcement process, or £265 if the vehicle is removed. In this period AIT recovered 21 Blue Badges or other parking permits, which equates to £2,100, and enforcement charges of £4,765 also arose.

The cost for these types of fraud is far greater in terms of the denial of dedicated parking areas to genuine blue badge holders and residents, and the reputational damage that could be caused to Hackney if we were seen not to be tackling the abuse of parking concessions within the borough.

### 5.4 Covid19 Business Grants

The investigations team has worked closely with the grant administration teams since March 2020 to assist with the grant verification process. This has identified multiple grant applications which were inaccurate, resulting in payment being withheld, and further cases where action is underway to recover payments that have already been made. One grant overpayment of £10,000 was resolved during this reporting period.

## **6. Matters Referred from the Whistleblowing Hotline**

All Hackney staff (including Hackney Homes and Hackney Education) can report concerns about suspected fraud and other serious matters in confidence to a third party whistleblowing hotline. Other referral methods are available (and may indeed be preferable from an investigatory perspective), however, the hotline allows officers to raise a concern that they might not otherwise feel able to report. No fraud referrals were received via the hotline in the reporting period.

## **7. Regulation of Investigatory Powers Act (RIPA) Authorisations**

RIPA is the legislation that regulates the use of surveillance by public bodies. Surveillance is one tool that may be used to obtain evidence in support of an investigation, where it can be demonstrated to be proportionate to the seriousness of the matter concerned, and where there is no other less intrusive means of obtaining the same information.

Because surveillance has the potential to be a particularly intrusive means of evidence gathering, the approval process requires authorisation by a nominated senior Hackney officer (Corporate Head of Audit, Investigations & Risk Management/Director/Chief Executive) and approval by a magistrate. Although Hackney will use its surveillance powers conferred by RIPA when it is appropriate to do so, no application has been made in the current financial year.

## 8. Proceeds of Crime Act (POCA) Investigations

POCA investigations can only be undertaken by accredited officers, as are currently employed by AAF. The Council is able to benefit financially from the use of POCA investigation powers. The amount awarded to the Council is greater in instances where the Council is both the investigating and prosecuting authority. The Council's investigation processes are supported by POCA in four principal ways: -

- Providing access to financial information in connection with a criminal enquiry, subject to approval by Crown Court by way of a **Production Order**.
- Preventing the subject of a criminal enquiry from disposing of assets prior to a trial, where these may have been obtained from criminal activity, by use of a **Restraint Order**, subject to Court approval.
- Recognising that offenders should not be able to benefit from their criminal conduct through the use of **Confiscation Orders**. These allow the courts to confiscate any benefit that a defendant may have received as a result of their crime.
- Under the confiscation process the courts are also able to ensure that victims are compensated for their loss by way of a **Compensation Order**.

| Type of Order | Authorised in period | 2022/23 | 2021/22 |
|---------------|----------------------|---------|---------|
| Production    | 0                    | 3       | 4       |
| Restraint     | 0                    | 0       | 0       |
| Compensation  | 0                    | 0       | 0       |
| Confiscation  | 0                    | 0       | 0       |
| <b>Total</b>  | 0                    | 3       | 4       |

Table 5

The POCA incentivisation scheme splits the proceeds from orders between investigation, prosecution and judicial authorities, and the HM Treasury - so the amount reported here represents a part of the total benefit to the public purse arising from this work. It should be noted that funds awarded from successful POCA investigations can often be received some time after the investigation is reported.

## 9. Proactive counter-fraud plan for 2023/24

A proactive counter fraud plan has been developed for delivery in 2023/24. This comprises activity to support the control environment generally and also targeted review areas. The following activity will take place, this may be revised during the year depending on the level of reactive investigatory work that is received and any unforeseen changes to team capacity.

|                           |   |
|---------------------------|---|
| Fraud awareness training  | Training will be provided to other Council services (housing, parking and NRPF) to enhance fraud detection, ensure that quality fraud referrals result from these concerns, and ensure that all staff are aware of processes and what help is available.  |
| National Fraud Initiative | Existing matches will continue to be reviewed and investigated where appropriate. We will also explore additional data matching options, and if these are viable we will use them to target new areas of concern.   |
| Targeted reviews          | Reviews will focus on the following areas: <ol style="list-style-type: none"> <li>1. Entitlements to specific new grant programmes;</li> <li>2. The allocation of certain parking permits;</li> <li>3. Compliance with leave arrangements;</li> <li>4. Action to update specific housing records; and</li> <li>5. Verification work to confirm that service users who are placed out of Borough continue to meet the requirements for Council support.</li> </ol> |

Table 6

The resources available to deliver the proactive counter-fraud plan are as follows:

|  | Audit Investigation Team | Tenancy Fraud Team | Total Days  | Percentage % |
|--|--------------------------|--------------------|-------------|--------------|
| Gross Days Available   | 2259                     | 1255               | 3514        | 100          |
| <u>Less Indirect Time:</u>                                       |                          |                    |             |              |
| Management/Advice  | 274                      | 152                | 426         | 12           |
| Leave, training, etc.  | 674                      | 215                | 889         | 25           |
| Vacancy drag   | 303                      | 21                 | 324         | 9            |
| <b>Operational Days Available - Reactive investigations</b>      | <b>762</b>               | <b>822</b>         | <b>1584</b> | <b>45</b>    |
| <b>Operational Days Available - Proactive Counter-fraud Plan</b> | <b>246</b>               | <b>45</b>          | <b>291</b>  | <b>8</b>     |

Table 7